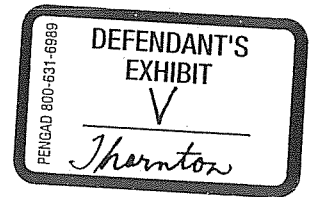
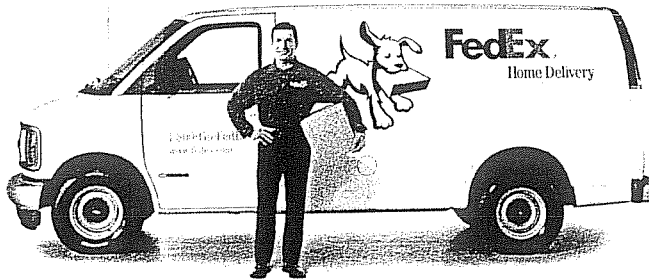


Exhibit 3

OP-149-RES



P&D Contractor Business Guide



OP149-Res

FEDEX HOME DELIVERY
STANDARD CONTRACTOR OPERATING AGREEMENT

JUNE 2003

TABLE OF CONTENTS

BACKGROUND STATEMENT.....	1
1. EQUIPMENT AND OPERATIONS.....	2
1.1 Power Equipment.....	2
1.2 Equipment Maintenance.....	2
1.3 Operating Expenses.....	3
1.4 Operation of the Equipment.....	4
1.5 Equipment Identification While in FHD's Service.....	4
1.6 Licensing.....	5
1.7 Reports.....	5
1.8 Shipping Documents and Collections.....	5
1.9 Contractor Performance Escrow Account.....	5
1.10 Agreed Standard of Service.....	7
1.11 Refused or Returned Shipments.....	9
1.12 Operator and Equipment Appearance Standard.....	9
1.13 Contractor's Obligation to Meet Standards of Customer Service.....	10
1.14 Discretion of Contractor to Determine Method and Means of Meeting Business Objectives.....	10
2. VEHICLE OPERATION.....	10
2.1 Additional Vehicles; Safe Operation Required.....	10
2.2 Employment of Qualified Persons.....	11
3. INSURANCE AND INDEMNITIES.....	12
3.1 Non-Trucking Liability Coverage -- Contractor's Responsibility.....	12
3.2 Public Liability -- FHD's Responsibility.....	12
3.3 Public Liability -- Contractor's Responsibility.....	13
3.4 FHD's Non-Liability for Equipment.....	14
3.5 Contractor's Responsibility for Certain Losses.....	14
3.6 Work Accident and Workers's Compensation.....	16
4. SETTLEMENT WITH CONTRACTOR.....	17
4.1 Settlement for Services Performed.....	17
4.2 Settlement Statements.....	18
5. SERVICE GUARANTEE PROGRAM.....	19
6. CONTRACTOR PRIMARY SERVICE AREA.....	19
6.1 Definition.....	19
6.2 Mutual Intention to Reduce Geographic Size of Primary Service Area.....	20
6.3 Recognition of Contractor's Proprietary Interest in Customers Served.....	20
6.4 Payments to or From Contractor.....	22
7. BUSINESS SUPPORT PACKAGE.....	23

8. TERM OF AGREEMENT.....	24
8.1 Initial Term.....	24
8.2 Renewal Terms.....	24
9. TERMINATION PROVISIONS.....	25
9.1 Termination.....	25
9.2 Obligations Upon Termination.....	26
9.3 Arbitration of Asserted Wrongful Terminations.....	26
10. MERGER OF UNDERSTANDING.....	27
11. CAPTIONS.....	27
12. SAVINGS CLAUSE.....	27
13. FAILURE TO ENFORCE.....	27
14. FORCE MAJEURE.....	27
15. ASSIGNMENT.....	28
16 GOVERNING LAW.....	29

ADDENDUM 1 Identification of Leased Equipment

ADDENDUM 2 Insurance - Minimum Coverage Requirements

ADDENDUM 3 Settlement

 Attachment 3.1..... Temporary Core Zone Density Settlement

 Attachment 3.2..... Shuttle Service Settlement

ADDENDUM 4 Primary Service Area

ADDENDUM 5 Proprietary Interest

ADDENDUM 6 Business Support Package

ADDENDUM 7 Arbitration

ADDENDUM 8 Contractor Customer Service Program

FHD SAFE DRIVING PROGRAM

FHD DRIVER RELEASE PROGRAM

Agreement

**FEDEX HOME DELIVERY
STANDARD CONTRACTOR OPERATING AGREEMENT**

BACKGROUND STATEMENT. FedEx Home Delivery (FHD), a division of FedEx Ground Package System, Inc. (FedEx Ground), a duly licensed motor carrier, is engaged in providing a small package information, transportation and delivery service throughout the United States, with connecting international service. The Contractor is an owner-operator of one or more pieces of trucking equipment suitable for use in such a service. Contractor wants to make this equipment available, together with a qualified operator for each piece of equipment, to provide daily pick-up and delivery service on behalf of FHD. FHD wants to provide for package pick-up and delivery services through a network of independent contractors, and, subject to the number of packages tendered to FHD for shipment, will seek to manage its business so that it can provide sufficient volume of packages to Contractor to make full use of Contractor's equipment. Contractor wants the advantage of operating within a system that will provide access to national accounts and the benefits of added revenues associated with shipments picked up and delivered by other contractors throughout the FHD system. In order to get that advantage, Contractor is willing to commit to provide daily pick-up and delivery service, and to conduct his/her business so that it can be identified as being a part of the FHD system. Both FHD and Contractor intend that Contractor will provide these services strictly as an independent contractor, and not as an employee of FHD for any purpose. Therefore, this Agreement will set forth the mutual business objectives of the two parties intended to be served by this Agreement -- which are the results the Contractor agrees to seek to achieve -- but the manner and means of reaching these results are within the discretion of the Contractor, and no officer or employee of FHD shall have the

authority to impose any term or condition on Contractor or on Contractor's continued operation which is contrary to this understanding.

1. EQUIPMENT AND OPERATIONS.

1.1 Power Equipment. In conjunction with providing to FHD transportation services as herein provided, Contractor will provide and utilize the vehicular equipment identified in the most recent Addendum 1 to this Agreement (hereinafter called the "Equipment"). Contractor certifies that the Equipment meets the requirements of all applicable federal, state and municipal laws and regulations, and, subject to the determination of FHD of its suitability for the service called for in this Agreement, the selection and replacement of the Equipment is within the discretion of Contractor.

1.2 Equipment Maintenance. Contractor agrees, at Contractor's expense, to maintain the Equipment in accordance with the safety and equipment standards specified in applicable federal, state and municipal laws and any rules, regulations and orders of any applicable agency. In the event the Equipment is found to be deficient under any law or regulation, Contractor agrees to remove the Equipment from service with FHD until it is brought into compliance. During such interim period, Contractor shall, at Contractor's expense, provide alternative equipment suitable for use in carrying out Contractor's obligations under this Agreement.

1.3 Operating Expenses. Contractor agrees to bear all costs and expenses incidental to operation of the Equipment, whether empty or loaded, including, without limitation, all risks of depreciation, all maintenance (including cleaning and washing), fuel, oil, tires, repairs, business taxes, consumption and sales taxes, personal property taxes, ad valorem taxes, fuel and road-use taxes, ton-mile taxes, insurance coverage as provided herein, workers compensation assessments, licenses, vehicle registration renewal fees, base plates, and all highway, bridge and ferry tolls. To facilitate payment of licenses, taxes and fees, where mutually convenient or otherwise required by statute or regulation, Contractor hereby authorizes FHD to pay these charges on Contractor's behalf and to charge Contractor for any such payments, together with any direct expenses incurred by FHD in connection with their payment. Contractor agrees that unless strictly prohibited by law, any licenses, permits, assessments and taxes paid by FHD on behalf of Contractor pursuant to this paragraph may be charged back against and deducted from any compensation owed Contractor by FHD.

1.4 Operation of the Equipment. Contractor agrees to direct the operation of the Equipment and to determine the methods, manner and means of performing the obligations specified in this Agreement. FHD shall be considered to have such exclusive possession, use and control of the Equipment required by D.O.T. regulation at 49 CFR Part 376.12(c), or other applicable regulations, but shall have no right or authority, without the express permission of Contractor, to operate the Equipment for any purpose (except for incidental yard movement and positioning) unless the Equipment is driven either by Contractor or by an operator engaged by Contractor. While the Equipment is in the service of FHD, it shall be used by Contractor exclusively for the carriage of the goods of FHD, and for no other purpose. If the Equipment is operated in the service of anyone other than FHD, including any separate business activities of Contractor, Contractor agrees to hold FHD harmless from any liability arising from operation of the Equipment that may be asserted against FHD by any person.

1.5 Equipment Identification while in FHD's Service. Contractor agrees to mark Equipment while in FHD's service with such identifying colors, logos, numbers, marks and insignia as may be required either under applicable regulations, including 49 CFR Part 390, or to identify the Equipment as a part of the FHD system. Contractor may use the Equipment for other commercial or personal purposes when it is not in the service of FHD, with the understanding that all such identifying numbers, marks, logos and insignia will be removed or masked (by paper or plastic overlay) when the Equipment is so used.

1.6 Licensing. If, at any time during the term of this Agreement, applicable state regulations require Contractor to obtain an owner/driver operating authority in order to serve intrastate customers, Contractor agrees, at his/her own expense, to acquire and maintain such operating authority and to cooperate with FHD in altering the arrangements set out in this Agreement to the extent necessary to ensure compliance by Contractor and FHD with any such state regulations, practices and procedures.

1.7 Logs and Reports. Contractor agrees to prepare daily driver logs and daily inspection reports, along with fuel receipts and other documents as required by law or regulation, and to file the originals with FHD at the beginning of the next business day.

1.8 Shipping Documents and Collections. Contractor agrees to prepare and present for the signature of consignors and consignees such shipping documents as FHD may from time to time designate, and to complete and return these documents to FHD within one business day. Contractor further agrees to collect any charges owed by consignors and consignees and to return all collected charges to FHD at the end of each business day.

1.9 Contractor Performance Escrow Account. Contractor agrees to deposit with FHD at such time and in such manner as FHD may specify the sum of \$500, which deposit shall be held by FHD in an account (hereinafter called the "Contractor Performance Escrow Account"). FHD agrees to handle the Contractor Performance Escrow Account as follows:

- (a) Amounts held by FHD in the Contractor Performance Escrow Account shall be applied only for the purposes described in subparagraph (d) below.
- (b) FHD agrees to pay (by credit to Contractor's weekly Settlement Statements at quarterly intervals) interest on the daily balance in the Contractor Performance Escrow Account. Such interest shall be at a rate equal to the average annual yield of 13-week U.S. Treasury bills at the rate established at the beginning of each quarter for the funds held on deposit during such quarter.
- (c) FHD agrees to provide Contractor with an accounting of all credits to or subtractions from Contractor's balance in such Account as part of Contractor's weekly Settlement Statement.
- (d) Upon termination of this Agreement, Contractor agrees that any balance attributable to Contractor in the Contractor Performance Escrow Account shall be applied to reduce any indebtedness of Contractor to FHD as reflected on Contractor's Settlement Statements or other instruments. Contractor shall remain liable for any remaining indebtedness which exceeds Contractor's balance in such Account.
- (e) Upon Contractor's fulfillment of the obligations due to FHD upon termination, FHD shall, after making such deductions from the Contractor Performance Escrow Account as are permitted herein, provide Contractor with a final

accounting of all final transactions involving Contractor's balance in such Account and remit to Contractor any remaining balance within 45 days from the date of termination.

1.10 Agreed Standard of Service. FHD has represented to shippers and consignees that, in arranging transportation of packages within the FHD system, it will provide a standard of service that is fully competitive with that offered by other national participants in the industry.

Contractor acknowledges the benefits to his/her business of participation in the FHD national system, and agrees to conduct activities under the terms of this Agreement to achieve the results represented to shippers and consignees. To achieve these business objectives, Contractor agrees to:

- (a) Provide daily delivery and pick-up service to consignees and shippers on days and at times which are compatible with their schedules and requirements within Contractor's Primary Service Area, as that term is defined in this Agreement, and in such other areas as Contractor may from time-to-time be asked to service, all consistent with the competitive standards within the industry (provided, however, that on any day where the volume of packages available for delivery or pick-up in Contractor's Primary Service Area exceeds the volume that Contractor can reasonably be expected to handle on such day, FHD may reassign a portion of such packages to another contractor);

- (b) Make reasonable efforts to retain and increase the base of shippers and consignees served and the number of packages handled per shipper within Contractor's Primary Service Area;
- (c) Handle, load, unload and transport packages using methods that are designed to avoid theft, loss and damage;
- (d) Cooperate with FHD's employees, customers and other contractors, to achieve the goal of efficient pick-up, delivery, handling, loading and unloading of packages and equipment, and provide such electronic and/or manual data pertaining to package handling as is reasonably necessary to achieve this goal;
- (e) Foster the professional image and good reputation of FHD and Contractor with shippers and consignees, including adhering to the vehicle identification and operator appearance standards specified in Paragraphs 1.5 and 1.12 of this Agreement;
- (f) Conform to all applicable federal, state and local laws, regulations and ordinances;
- (g) Cause the Equipment to be operated safely and in compliance with all applicable laws and regulations; and,

- (h) Conduct all business activities with integrity and honesty, in a professional manner, and with proper decorum at all times.

1.11 Refused or Returned Shipments. If a package cannot be delivered on the day it is tendered to Contractor for delivery, Contractor agrees to return the package to FHD at the beginning of the next business day at the terminal facility where it was tendered for delivery, and to inscribe on the package and to provide by electronic and/or manual means whatever notational references (i.e., service cross) FHD may from time to time reasonably require in order to document the package location and the reason for non-delivery. On Saturdays, undelivered packages, together with accompanying reports and documentation, must be returned at the end of the business day.

1.12 Operator and Equipment Appearance Standard. Contractor acknowledges that the presentation of a consistent image and standard of service to customers throughout the system is essential in order to be competitive with other alternatives available to shippers and consignees and to permit recognition and prompt access to customers' places of business. Accordingly, each person having contact with the public under the provisions of this Agreement will wear an FHD-approved uniform, maintained in good condition, and will otherwise keep his/her personal appearance consistent with reasonable standards of good order as maintained by competitors and promulgated from time to time by FHD. In addition, the Equipment shall be maintained in a clean and presentable fashion free of body damage and extraneous markings, in accordance with the standards of the industry.

1.13 Contractor's Obligation to Meet Standards of Customer Service. Contractor shall have the obligation to assure that all persons who operate the Equipment are fully trained and capable of meeting the customer service standards set forth in this Agreement. FHD shall, during the first 30 days of the term of this Agreement, familiarize Contractor with various service quality procedures developed by FHD. In addition, qualified FHD terminal personnel may, at their option, visit customer locations with Contractor four times annually to verify that Contractor is meeting the standards of customer service provided in this Agreement.

1.14 Discretion of Contractor to Determine Method and Means of Meeting Business

Objectives. It is specifically understood and agreed by both parties that Contractor shall be responsible for exercising independent discretion and judgment to achieve the business objectives and results specified above, and no officer, agent or employee of FHD shall have the authority to direct Contractor as to the manner or means employed to achieve such objectives and results. For example, no officer, agent or employee of FHD shall have the authority to prescribe hours of work, whether or when the Contractor is to take breaks, what route the Contractor is to follow, or other details of performance.

2. VEHICLE OPERATION.

2.1 Additional Vehicles; Safe Operation Required. Contractor may, with the consent of FHD and consistent with the capacity of the terminal serviced by Contractor, own and operate more than one vehicle, with any such additional vehicles to be driven by qualified operators employed by Contractor, as described in subparagraph 2.2 below. No vehicle may be operated pursuant to this Agreement by any operator who is not in compliance with such standards.

2.2 Employment of Qualified Persons. Contractor may employ or provide person(s) to assist Contractor in performing the obligations specified by this Agreement. All persons so employed or provided by Contractor, either driving or non-driving, shall be qualified pursuant to applicable federal, state and municipal safety standards and FHD Safe Driving Program standards as published from time to time. All persons employed or provided by Contractor shall be fully trained, at Contractor's expense, to operate the Equipment. Contractor understands and agrees that such persons shall not be considered employees of FHD and that it is Contractor's responsibility to assure that such persons conform fully to the applicable obligations undertaken by Contractor pursuant to this Agreement. Contractor further agrees to:

- (a) Bear all expenses associated with qualifying such persons to perform the services agreed to be provided herein, including, without limitation, the cost of physical examinations and drug screen tests;
- (b) Bear all expenses associated with the employment of such persons, including, without limitation, wages, salaries, employment taxes, workers compensation coverage, health care, retirement benefits and insurance coverages;
- (c) Assume sole responsibility for compliance with all applicable laws, rules, regulations and orders respecting payroll deductions and maintenance of payroll and employment records; and,

- (d) Hold FHD harmless from any liability and claims by others or by governments arising from Contractor's relationship with Contractor's employees or substitutes whether under industrial accident prevention laws or any other federal, state or municipal laws applicable to the relationship between employers and employees.

3. INSURANCE AND INDEMNITIES.

3.1 Liability Coverage – Contractor Responsibility. Contractor agrees to obtain and keep in force at all times a policy(ies) of public liability (vehicular bodily injury and property damage insurance coverage), issued by an insurance company qualified to write such coverage in the state(s) where the Equipment is operated, and rated A, Class VII or better by A.M. Best Co., to cover all costs, losses and expenses arising from operation of the Equipment while it is being operated for Contractor's personal benefit in amounts not less than \$100,000 per person, \$300,000 per occurrence for bodily injury, \$50,000 per occurrence for property damage. Minimum coverage requirements are set forth in Addendum 2 to this Agreement. Contractor shall provide FHD Certificate(s) of Insurance evidencing such coverage naming FHD an additional insured and providing FHD 30 days' prior written notice of cancellation or material change.

3.2 Public Liability – FHD's Responsibility. FHD agrees to self-retain and maintain insurance coverages for public liability (vehicular personal injury and property damage insurance coverage), and cargo loss and damage risks in amounts sufficient to meet its legal obligations under 49 CFR Part 387 and, subject to the exception described in subparagraph 3.5 below, will indemnify Contractor and Contractor's drivers against liability for operation of the Equipment

while on FHD's business subject to the following exceptions and conditions, the occurrence of any one of which will void this indemnity:

- (a) As to the involved Equipment operator, if the operator has engaged in intentional misconduct or reckless or willfully negligent operation of the Equipment;
- (b) As to the Contractor, if the Contractor is not the involved Equipment operator, but has knowledge of or reason to anticipate such operator's intentional misconduct or reckless or willfully negligent operation of the Equipment; or
- (c) As to Contractor and operator(s), when FHD has elected to discontinue its indemnity hereunder pursuant to the provisions of subparagraph 3.3.

3.3 Vehicular Liability -- Contractor's Responsibility. At any time that FHD discovers that Contractor or an operator engaged by Contractor to drive the Equipment fails to meet FHD's Safe Driving Program standards, as determined by FHD in its sole discretion, FHD may elect to terminate its indemnity for liability to Contractor and Contractor's operators (hereinafter referred to as "indemnity termination"). Any such election of indemnity termination shall be given in writing to Contractor not less than 30 days before the effective date thereof, as specified in such election. In such event (unless Contractor cures such violation to FHD's sole and complete satisfaction before such effective date), Contractor shall obtain, effective not later than such specified date, and continually thereafter maintain, a policy of public liability (vehicular bodily injury and property damage insurance coverage) for a combined single limit of not less than

\$2,000,000 naming FHD as an additional insured, issued by an insurance company qualified to write such coverage in the state(s) where the Equipment is operated and rated A, Class VII or better by A.M. Best Co. Such insurance coverage shall be evidenced by a Certificate of Insurance provided to FHD showing FHD as an additional insured and providing FHD 30 days' prior written notice of cancellation or material change. In addition, Contractor will obtain and continually thereafter maintain a policy of insurance for cargo loss and damage risk for an amount not less than \$40,000 per vehicle, with deductibles not greater than \$250, to be issued by an insurance company meeting the same qualifications provided above. Such insurance coverage shall be evidenced by a Certificate of Insurance provided to FHD naming FHD as an additional insured and providing FHD 30 days' prior written notice of cancellation or material change.

3.4 FHD's Non-Liability for Equipment. Contractor agrees that FHD shall not be liable to Contractor for any depreciation, loss or damage that may occur to the Equipment by collision, fire, theft or similar occurrence, excepting such loss or damage as may be caused by FHD, its agents, servants and employees.

3.5 Contractor's Responsibility for Certain Losses. The following indemnities constitute an exception to the provision for risk protection to Contractor provided in subparagraph 3.2. During the term of this Agreement and thereafter, Contractor agrees to indemnify and save FHD harmless against liabilities as follows:

- (a) The first \$500 arising from each claim brought against FHD and all liabilities incurred by FHD for or on the account of bodily injury and/or property damage in

any manner caused by, incidental to or growing out of any act or omission of Contractor or Contractor's agents, servants or employees arising out of the ownership, maintenance, use or operation of the Equipment and/or FHD-provided equipment, or out of the conduct of Contractor's business;

- (b) After one year of continuous safe operation of the Equipment under the terms of this Agreement, the Contractor's responsibility under this subparagraph shall be reduced to \$250; and after two years to zero (provided, however, in the event the Equipment is involved in an at-fault accident while in the service of FHD, the Contractor's responsibility shall revert to \$500 until, by passage of time without a further at-fault accident, the modifications of this subparagraph (b) again apply);
- (c) The first \$500 of each claim for loss or damage to packages tendered for shipment or handling hereunder while such packages are in the possession of Contractor or Contractor's agents, servants or employees; provided, however, Contractor shall not be required to pay any claim on packages delivered pursuant to the FHD Driver Release Program as published from time to time;
- (d) Any or all claims brought against FHD or liabilities incurred by FHD arising from the Contractor's relationship with Contractor's employees, whether under industrial accident prevention laws, or any other federal, state or municipal laws, rules, regulations and orders applicable to the relationship between employers and employees;

- (e) Any and all claims brought against FHD or liabilities incurred by FHD for or on account of Contractor's failure or failure of Contractor's agents, servants or employees to comply with any laws, rules, regulations or orders applicable to Contractor's business; and,
- (f) Any and all claims brought against FHD or liabilities incurred by FHD in the event the Contractor or the involved Equipment operator fails to assist FHD in securing and giving evidence, attending hearings and trials, obtaining the attendance of witnesses, or otherwise fails to cooperate with FHD in such matters.

3.6 Work Accident and Workers Compensation. Contractor agrees to obtain and keep in force at all times during the term of this Agreement work accident and/or workers compensation insurance insuring Contractor and all of Contractor's employees. Minimum coverage requirements are set forth in Addendum 2 to this Agreement. At Contractor's option, such coverage may be obtained either under a policy negotiated by FHD, through an applicable state sponsored program, or through a policy providing comparable benefits and issued by an insurance company qualified to write such coverage in the state(s) where the Equipment is operated, and rated A, Class VII or better by A.M. Best Co. Such insurance coverage shall be evidenced by a Certificate of Insurance provided to FHD and providing FHD 30 days' prior written notice of cancellation or material change.

4. SETTLEMENT WITH CONTRACTOR

4.1 Settlement for Services Performed. FHD agrees to settle on a weekly basis with Contractor for services provided in accordance with the settlement schedule set forth in Addendum 3, from which settlement shall be deducted charges for items which are authorized in writing or required by law. The settlement to Contractor shall consist of the following parts:

- (a) **Package Pick-Up and Delivery Settlement**, which amount shall be a payment for stops made and packages handled;
- (b) **Contractor and Van/Vehicle Availability Settlement**, which amount shall be payable to Contractor with respect to each business day that Contractor provides services under this Agreement, in consideration of Contractor making available to FHD at the start of such day a clean, properly maintained van, driven by a qualified and uniformed operator; and,
- (c) **Temporary Core Zone Density Settlement**, which amount shall be payable to Contractor with respect to each business day that Contractor provides services under this Agreement in Contractor's Primary Service Area, in consideration of Contractor agreeing to provide daily package delivery and pick-up service during such period of time when the customer density and package volume in such Primary Service Area is still developing. In the event Contractor provides service outside his/her Primary Service Area, Contractor shall also receive a proportionate share of any Temporary Core Zone Density Settlement applicable to other area

served. The intention of Contractor and FHD is to cooperate in increasing the customer density and package volume in Contractor's Primary Service Area to such an extent that the Temporary Core Zone Density Settlement will be reduced or eliminated, and Contractor agrees that, as such density and/or package volume increases, FHD may reduce or eliminate the Temporary Core Zone Density Settlement. Except in the case of a new terminal opening or other major increase in customer density and/or package volume in Contractor's Primary Service Area, such settlement amount shall not be decreased by more than \$10 per day in any six month period, and then only with 30 days' prior written notice to Contractor.

4.2 Settlement Statements. FHD agrees to issue Settlement Statements and settlement checks to Contractor on a weekly basis (except when this Agreement is terminated as provided herein, in which case a final Settlement Statement and settlement check shall be issued within 45 days of termination). Settlement Statements shall contain a computation of the settlement Contractor is entitled to receive and an itemized listing of all deductions from Contractor's settlement. FHD shall have no responsibility to make deductions for, or to pay wages, benefits, health, welfare and pension costs, withholding for income taxes, unemployment insurance premiums, payroll taxes, disability insurance premiums, social security taxes, or any other similar charges with respect to Contractor or Contractor's employees. To facilitate prompt settlement, Contractor agrees to prepare such settlement documents and records as FHD may from time to time require in order to compute such settlement. Upon written request, Contractor shall be provided copies of those documents which are necessary to determine the validity of all deductions from Contractor's settlement. Settlement Statements and the entries thereon shall be

deemed conclusive and binding on Contractor, unless written objections to entries on a questioned Settlement Statement are received by FHD within 30 days from the date of issuance of the Settlement Statement to which the objections apply.

5. SERVICE GUARANTEE PROGRAM. FHD and Contractor recognize the mutual benefits to each party of keeping the Equipment, together with a qualified operator, in continuous daily service pursuant to the terms of this Agreement. The expenses of both maintenance and engaging a substitute operator during the periods when Contractor is ill or does not desire to drive are, pursuant to the terms of this Agreement, borne by Contractor. In order to encourage Contractor to accumulate a fund from which these and other unusual costs of operation can be paid when they arise, FHD agrees to maintain an interest-bearing fund, to account for contributions to the Service Guarantee Account. FHD agrees to pay (by credit to Contractor's weekly Settlement Statements at quarterly intervals) interest on the daily balance in the Service Guarantee Account. Such interest shall be paid at a rate equal to the average annual yield of 13-week Treasury Bills at the rate established at the beginning of each quarter for the funds held on deposit during such quarter. The Contractor may withdraw amounts credited to the Service Guarantee Account at any time for any purpose.

6. CONTRACTOR PRIMARY SERVICE AREA.

6.1 Definition. Contractor shall be responsible for the daily delivery and pick-up of packages in Contractor's Primary Service Area, as assigned to Contractor from time to time by FHD, and as shown in Addendum 4 to this Agreement.

6.2 Mutual Intention to Reduce Geographic Size of Primary Service Area. Contractor recognizes that, as the customer base and package volume in the Primary Service Area increases, the geographic size of the area which Contractor will be able to serve with the Equipment can be expected to decrease. Contractor acknowledges that the increased concentration in customer base and package volume which results from a decrease in the geographic size of Contractor's Primary Service Area is in the interest of Contractor, since Contractor will thereby have the opportunity to complete a greater number of package deliveries and pick-ups with less expense, and Contractor agrees to cooperate with the reasonable efforts of FHD in gathering data necessary to evaluate Contractor's Primary Service Area, including permitting FHD personnel to ride with Contractor from time to time in connection with these efforts. FHD shall have the authority, upon five work days' prior written notice to Contractor, to reconfigure Contractor's Primary Service Area to take account of customer service requirements. During such notice period, FHD shall give Contractor the opportunity, using means satisfactory to FHD, to continue to provide in such Primary Service Area the level of service called for in this Agreement. In the event Contractor is not able to provide reasonable means to continue to service the Primary Service Area, FHD may, in its sole discretion, reconfigure such area.

6.3 Recognition of Contractor's Proprietary Interest in Customers Served. This Agreement is based on the concept that Contractor and FHD are each engaged in an undertaking to operate an efficient home package delivery service which is fully competitive with the standards of other national participants in the industry. FHD and Contractor recognize that, because of the reciprocal benefits which flow from participation in an interrelated, national service, they have a mutual interest in increasing package volume and the number of customers

both in Contractor's Primary Service Area and in the service areas of other contractors who have entered into substantially identical agreements with FHD. Contractor specifically acknowledges that the intentions set forth in this Agreement to provide a national delivery service cannot be met -- either nationwide or in the service area served by the terminal (the "Terminal Service Area") which includes Contractor's Primary Service Area -- without the participation of a network of contractors. Therefore this Agreement contemplates that the parties hereto and other contractors in the FHD system recognize the proprietary interest of Contractor in the FHD deliveries and pick-ups in Contractor's Primary Service Area as that area is configured from time to time, and a consequent right of Contractor to receive payment in the event his/her Primary Service Area is reconfigured with the result that FHD deliveries and pick-ups previously served by the Contractor are reassigned by FHD. FHD deliveries and pick-ups are the deliveries and pick-ups which shippers tender to the FHD Division. They do not include the deliveries and pick-ups which shippers tender to FedEx Ground. Depending on the circumstance, as provided below, a payment to Contractor for reassigned FHD deliveries and pick-ups may be from other contractors or from FHD. In consideration of the mutual obligations contained herein and in substantially similar agreements with other contractors, the parties hereto agree as follows:

- (a) In the event Contractor's Primary Service Area is reconfigured so that the Contractor gains FHD deliveries and pick-ups, the Contractor hereby authorizes FHD to deduct from Contractor's settlement and to pay to the Contractor relinquishing such accounts the payments calculated as provided below; and

- (b) In the event Contractor's Primary Service Area is reconfigured so that FHD deliveries and pick-ups which Contractor had previously serviced are reassigned to another contractor or to a spotted trailer, the Contractor shall receive payments, calculated and made as provided below.

6.4 Payments to or From Contractor. Payment to or from Contractor for FHD deliveries and pick-ups gained or relinquished when Contractor's Primary Service Area is reconfigured shall be calculated and made as follows:

- (a) First, the average number of package deliveries per day gained or relinquished by Contractor shall be determined by reference to the average number of package deliveries in the area relinquished in the three most recent complete FHD accounting periods;
- (b) Second, the average number of package pick-ups per day gained or relinquished by the Contractor shall be determined by reference to the average number of package pick-ups in the area relinquished in the three most recent complete accounting periods;
- (c) Third, the Contractor shall be entitled to a payment of the dollar amount specified in Addendum 5, multiplied by the average number of package deliveries relinquished, and the dollar amount specified in Addendum 5, multiplied by the average number of package pick-ups relinquished;

- (d) Fourth, the Contractor shall make payments calculated using the same formula as set forth in the preceding paragraph to relinquishing contractor(s) for package deliveries and pick-ups gained;
- (e) Fifth, in the event, in connection with the reconfiguration, package deliveries or pick-ups previously in Contractor's Primary Service Area are reassigned to another contractor, FHD shall remit payment to Contractor, but only as and to the extent FHD receives payments from the contractor to whom the package deliveries or pick-ups were reassigned;
- (f) Sixth, in the event package pick-ups or deliveries are permanently reassigned to a spotted trailer, FHD itself shall have the obligation to make the payments to the Contractor called for herein; and
- (g) Seventh, if contractors so request, and if FHD in its sole discretion agrees, payments provided hereunder may be made by credits to and deductions from the affected Contractor's weekly settlement, as shown on such Contractor's Settlement Statement.

7. BUSINESS SUPPORT PACKAGE. Contractor shall not be required to purchase or rent any products, equipment, or services from FHD as a condition to entering into this Agreement. At Contractor's election (which election shall be as indicated on Addendum 6, and may be changed annually during the first FHD accounting period and as provided below) FHD

will provide a Business Support Package to Contractor at a per van charge to Contractor as set out in the current version of Addendum 6, which amount shall be deducted from Contractor's weekly settlement. The Business Support Package shall include uniforms, D.O.T. inspections, drug tests meeting D.O.T. requirements, and other items and services found in the current version of Addendum 6. The cost of the Business Support Package may be changed once annually to reflect changes in the cost to FHD of providing such package. In the event FHD proposes to implement any such change, it shall provide Contractor with 30 days' prior written notice, during which period Contractor may elect to discontinue participation.

8. TERM OF AGREEMENT.

8.1 Initial Term. This Agreement shall, at the election of Contractor, as indicated by Contractor's initials below, continue in full force and effect for an initial term of one or two years from the date this Agreement is signed. Contractor hereby elects a term of:

a) one year _____

b) two years _____

8.2 Renewal Terms. This Agreement shall automatically renew for successive terms of one year each after expiration of the initial term unless Contractor or FHD provides the other party notice of non-renewal in writing at least 30 days prior to the expiration of the initial term or any successive renewal term.

9. TERMINATION PROVISIONS.

9.1 Termination. This Agreement may be terminated during the initial term or during any renewal term hereof, as follows:

- (a) At any time, by mutual agreement of Contractor and FHD;
- (b) By FHD in the event that Paragraphs 3.2(a) or 3.2(b) apply;
- (c) By Contractor or FHD if the other party breaches or fails to perform the contractual obligations imposed by this Agreement;
- (d) By either party in the event that FHD:
 - (1) ceases to do business in all or part of the Terminal Service Area; or,
 - (2) as a result of a decline in business, reduces operations in all or part of the Terminal Service Area; or
- (e) By Contractor, upon 30 days' prior written notice to FHD. The parties hereto specifically recognize the damage to FHD, which is difficult to quantify, but which includes the cost of engaging and qualifying temporary operators and replacement equipment to service Contractor's Primary Service Area, if Contractor should terminate his/her service obligations hereunder without first giving notice as provided in this paragraph. Therefore, in the event of such unauthorized termination by Contractor (except if such termination is caused by the death or disability of Contractor) Contractor shall pay to FHD, as liquidated damages, and not as a penalty, the sum of \$500. FHD may withhold such amount

from Contractor's final settlement or from Contractor's Performance Escrow Account.

9.2 Obligations Upon Termination. Upon termination of this Agreement for any reason, Contractor agrees promptly to:

- (a) Return to FHD any packages tendered for pickup and/or delivery and any shipping papers, documents, collections, or other property of FHD in Contractor's possession;
- (b) Return to FHD any property of FHD furnished to Contractor pursuant to the Business Support Package; and
- (c) Remove and return or permanently mask (such as by painting over) all of FHD's vehicle identification from the Equipment.

FHD may withhold the return of any monies owed Contractor, including any balance remaining in Contractor's Performance Escrow Account, until Contractor completes the return of the items listed above.

9.3 Arbitration of Asserted Wrongful Termination. In the event FHD acts to terminate this Agreement (which acts shall include any claim by Contractor of constructive termination) and Contractor disagrees with such termination or asserts that the actions of FHD are not authorized under the terms of this Agreement, then each such disagreement (but no others) shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American

Arbitration Association (AAA) in accordance with the terms and conditions set forth in Addendum 7 to this Agreement.

10. MERGER OF UNDERSTANDING. This Agreement, the Addenda hereto, and the Attachments to the Addenda, constitute the entire agreement and understanding between the parties and, when executed, shall constitute a revocation of any earlier Contractor Operating Agreement between the parties. This Agreement, the Addenda and Attachments shall not be modified, altered, changed or amended in any respect unless in writing and signed by both parties.

11. CAPTIONS. Captions appearing in this Agreement are for convenience only and do not in any way limit, amplify, modify or otherwise affect the terms and provisions of this Agreement.

12. SAVINGS CLAUSE. If any part of this Agreement is declared unlawful or unenforceable, the remainder of this Agreement shall remain in full force and effect.

13. FAILURE TO ENFORCE. Failure of either party to enforce strictly any provision of this Agreement shall not be construed as a waiver thereof or as excusing the other party from future performance.

14. FORCE MAJEURE. The performance of the obligations of this Agreement on the part of either FHD or the Contractor shall be excused by reason of closing of public highways, changes in customer shipping and/or receiving requirements, strikes or work stoppages, weather

conditions which make operations unsafe or impractical, Acts of God, or temporary or permanent cessation of business by FHD within the Terminal Service Area.

15. ASSIGNMENT. This Agreement shall be binding upon and enure to the benefit of the parties to this Agreement and their assignees. FHD shall have the right to assign its rights and obligations hereunder to an affiliate of FHD. Provided Contractor is in good standing hereunder, Contractor shall, with 30 days' prior written notice to FHD, have the right to assign his/her rights and obligations hereunder to a replacement contractor acceptable to FHD as being qualified to provide the services of Contractor under this Agreement (the "Replacement Contractor"), and, provided Contractor or Contractor's representative continues to provide service under this Agreement up to the effective date of such assignment, FHD shall thereupon enter into a new agreement with Replacement Contractor on substantially the same terms and conditions as herein contained. In addition, in the event of the death or disability of Contractor, Contractor or his/her representative shall have a period of 30 days from and after such death or disability to secure a qualified Replacement Contractor to whom Contractor's rights and obligations may be assigned. Any consideration to be paid by Replacement Contractor on account of such assignment shall be strictly a matter of agreement between Contractor (or Contractor's representative) and Replacement Contractor. As a matter of accommodation to Contractor, FHD at its sole discretion, may agree, upon receipt of written instructions from Contractor and Replacement Contractor, to collect such consideration from Replacement Contractor by means of deductions from Replacement Contractor's weekly settlements for a period not to exceed one year, and promptly to remit such amounts to Contractor or his/her representative. FHD shall have no other

obligations whatsoever either to secure a Replacement Contractor for the benefit of Contractor, or to assure any payment to Contractor on account of Contractor's assignment of this Agreement.

16. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

CONTRACTOR ACKNOWLEDGES AND REPRESENTS THAT CONTRACTOR HAS READ AND FULLY UNDERSTANDS THE PROVISIONS OF THIS AGREEMENT, AND HAS HAD SUFFICIENT TIME AND OPPORTUNITY TO CONSULT WITH PERSONAL FINANCIAL, TAX AND LEGAL ADVISORS PRIOR TO EXECUTING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto enter into and execute this Agreement this _____ day of _____, 20____, at _____.

FEDEX HOME DELIVERY:

CONTRACTOR:

Signature

Signature

Title

Typed Name

Witness

Witness

Leased Equipment

ADDENDUM 1

FHD STANDARD CONTRACTOR OPERATING AGREEMENT

IDENTIFICATION OF LEASED EQUIPMENT

FHD Unit Number	Vehicle Make	Vehicle Year	Body Type	VIN	Number Axles
-----------------------	-----------------	-----------------	--------------	-----	-----------------



ADDENDUM 2

FHD STANDARD CONTRACTOR OPERATING AGREEMENT

INDEPENDENT CONTRACTOR INSURANCE COVERAGE
WORK ACCIDENT (OR WORKERS' COMPENSATION) INSURANCE
VEHICULAR LIABILITY INSURANCE
MINIMUM COVERAGE REQUIREMENTS

WORK ACCIDENT INSURANCE	
COVERAGE	LIMITS
Disability	66 2/3% of net earnings payable weekly
Disability Benefit Period	2 years
Medical	\$500,000 maximum -- Reasonable & Customary
Medical Benefit Period	2 years
Loss of Life	55% of net earnings
Loss of Life Benefit Period	2 years
Loss of Life Amount	\$144,000
Co-insurance	0
Deductible	0
Contingent Workers' Compensation	Required
Minimum A.M. Best Rating	A
Alternative Coverage	Workers compensation by "A" rated insurer or state owned and licensed in Contractor's home state

VEHICULAR LIABILITY AND PHYSICAL DAMAGE	
COVERAGE	LIMITS
Vehicular Liability	\$100,000/\$300,000/\$50,000
Physical Damage	Actual Cash Value
Comprehensive Deductible	\$500.00 Maximum
Collision Deductible	\$500.00 Maximum
Rental Reimbursement	\$40/day – 30 days minimum
Additional Insured	FedEx Ground Package System, Inc. must be named
Minimum A.M. Best Rating	A

Settlement

**PLEASE ADD THE ADDENDUM 3
THAT APPLIES TO YOUR
FACILITY**

**IF YOU NEED A COPY, E-MAIL YOUR
REQUEST TO
judy.johnston@fedex.com**

ATTACHMENT 3.1 TO ADDENDUM 3
FHD STANDARD CONTRACTOR OPERATING AGREEMENT
TEMPORARY CORE ZONE DENSITY SETTLEMENT

Settlement (\$)

Core Zone Van/Vehicle

See Attachment for Current Core Zone Settlement

Core Zones are comprised of one or more five-digit Zip Code areas.

If Contractor provides pick-up and/or delivery service in more than one Core Zone on any one day, Contractor's Core Zone settlement for that day shall be prorated between the Core Zones, taking into consideration the number of stops made in each Core Zone and Core Zone values.

Core Zone settlement will be prorated if Contractor provides pick-up and/or delivery service for less than seven hours in any one day.

ATTACHMENT 3.2 TO ADDENDUM 3
FHD STANDARD CONTRACTOR OPERATING AGREEMENT
SHUTTLE SETTLEMENTS

Location
(/)

<u>Shuttle Run</u>	<u>Van/Vehicle</u>	<u>Handling (\$)</u>
--------------------	--------------------	----------------------

See Attachment for Current Shuttle Settlement

Received by,

_____	_____
(Contractor)	(Date)

Note: The above rates are one-way unless otherwise noted. Rates are the same on the return trip. Terminals should send the SET023 to the settlement department for payment.

Proprietary Interest

ADDENDUM 5

FHD STANDARD CONTRACTOR OPERATING AGREEMENT

PROPRIETARY INTEREST

FHD recognizes that Contractor has a proprietary interest in the delivery and pick-up accounts in Contractor's Primary Service Area, as defined in Addendum 4 of this Agreement (but excluding delivery and pick-up accounts assigned by shippers to FedEx Ground). FHD also recognizes that in the event Contractor's Primary Service Area is reconfigured, resulting in customers previously served by Contractor being permanently reassigned by FHD, Contractor is entitled to payment. Such payment may be from other contractors or from FHD, in accordance with the provisions of Paragraph 6.4 of this Agreement.

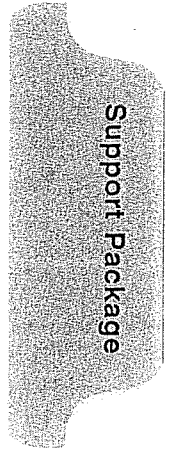
For every delivery package relinquished, under the provisions of Paragraph 6.4 of the Agreement, Contractor is entitled to a minimum payment of \$1.00 per package.

For every pick-up package relinquished, under the provisions of Paragraph 6.4 of the Agreement, Contractor is entitled to a minimum payment of \$2.00 per package. This does not include trailer spots.

As Contractor's settlement and density increase in the Primary Service Area, the potential value of Contractor's customers may increase. Contractor may offer more than the minimum amounts prescribed above for packages being relinquished by another contractor, in order to gain additional customers and increase profitability, or Contractor may sell to the highest bidder when Contractor's customers are being reassigned by FHD. FHD makes no guarantees of such increases, nor will FHD interfere in such transactions between Contractor and other persons who have the capability and qualifications to perform the services required by this Agreement.

In the event a trailer spot, pick-up or delivery being performed by a P&D Contractor operating a tractor/trailer is permanently returned to a P&D Contractor operating a van or straight truck, FHD shall pay the tractor/trailer Contractor a one-time payment of \$100.00 for each such trailer spot.

In every case involving payment for packages transferred between contractors, whether tractor/trailer, van, or straight truck, the reason must be based on FHD's determination, reasonably made, that such changes in pick-up and delivery assignments are permanent, not seasonal, nor known to be of short duration.



EFFECTIVE: 3/1/03

ADDENDUM 6

FHD CONTRACTOR OPERATING AGREEMENT

BUSINESS SUPPORT PACKAGE

The Business Support Package (BSP) consists of the following items:

- Magnetic Logo/Decals
- Business Card
- Standard Uniform
- Random Drug Test meeting D.O.T. requirements
- Contractor Assistance Programs
- Annual D.O.T. inspection
- Mapping Software
- Lease of FedEx Home Delivery scanner and communications and related equipment necessary for customer service

Contractor is not required to purchase the Business Support Package. The cost of the Package is \$3.50 per day, per van, for each business day Contractor is entitled to receive van availability. If Contractor elects to participate in the program, Contractor agrees to be liable for loss or damage to such equipment received under this program under the following conditions:

1. Loss while in the possession of Contractor;
2. Willful and/or intentional damage;
3. Damage resulting from disregard of vendor's recommended operating procedures.

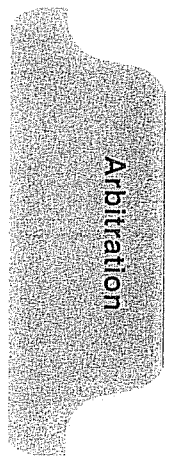
Contractor will not be liable for normal wear and tear or defects associated with manufacture and/or vendor repair and maintenance.

By initialing the appropriate space below, Contractor

____ elects

____ elects not

to participate in the Business Support Package. Contractor may change such election as provided in the Agreement.



ADDENDUM 7

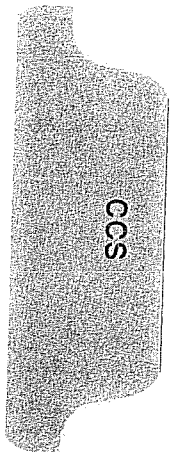
FHD STANDARD CONTRACTOR OPERATING AGREEMENT

ARBITRATION

The arbitration of contract termination shall be instituted and conducted in accordance with the following terms and conditions:

1. Contractor must mail written notice of a demand for arbitration to FHD and to the AAA by certified mail within 90 days of the occurrence of the claimed wrongful termination. Failure to mail written notice of a demand for arbitration within such 90-day period and comply with all procedural requirements set forth in the Commercial Arbitration Rules of the AAA shall constitute an absolute bar to the institution of any proceedings and a waiver of the claimed wrongful termination. The copy of the demand sent to the American Arbitration Association shall be addressed to Four Gateway Center, Suite 419, Pittsburgh, PA 15222-1207, with a request that the demand be forwarded to the appropriate AAA Regional Office.
2. The dispute shall be heard and determined by a single arbitrator, chosen pursuant to the procedures of the AAA.
3. The arbitrator shall set the date, time, and place for each hearing, and shall schedule the hearing and make his or her determination in an expeditious manner. Neither party shall be entitled to written or deposition discovery from the other, except with respect to damages.
4. As to any dispute or controversy which under the terms hereof is made subject to arbitration, no suit at law or in equity based on such dispute or controversy shall be instituted by either party hereto, other than a suit to confirm, enforce, vacate, modify or correct the award of the arbitrator as provided by law; provided, however, that this clause shall not limit FHD's right to obtain any provisional remedy including, without limitation, injunctive relief, writ for recovery or possession or similar relief, from any court of competent jurisdiction, as may be necessary in FHD's sole subjective judgment to protect its property rights.

5. The arbitrator shall have the authority only to conclude whether the termination of Contractor was within the terms of this Agreement, to determine damages if required to do so under this subparagraph, and to provide for the division of the AAA fees and AAA assessed expenses of the arbitration between the parties; provided, however, each party shall bear the cost of attorneys, expert witnesses, or other expenses incurred by that party, and the arbitrator shall have no authority to allocate or apportion such costs. If the arbitrator concludes the termination was within the terms of this Agreement, the termination shall be effective on the date specified in the notice of termination from FHD to Contractor. If the arbitrator concludes the termination was not within the terms of this Agreement, then, at the option of FHD:
(1) the Contractor shall be reinstated within a reasonable period of time, not to exceed 90 days from the Company's receipt of the arbitrator's decision, and in that event shall be entitled to damages equal to the arbitrator's determination of what Contractor's net earnings (after payment of all expenses which are borne by Contractor pursuant to this Agreement) would have been during the period between the date of termination and the date of reinstatement; or (2) Contractor shall nevertheless be terminated, and, in that event, shall be entitled to damages equal to the arbitrator's determination of what Contractor's net earnings (after payment of all expenses which are borne by Contractor pursuant to this Agreement) would have been during the period between the date of termination to the last day of the term of this Agreement (without any renewals). Contractor shall have no claim for damages in any other amount, and the arbitrator shall have no power to award punitive or any other damages.
6. The arbitrator shall provide the parties with only a written determination of the outcome of the arbitration, without accompanying opinion, and shall have no authority to alter, amend or modify any of the terms and conditions of this Agreement, and further, the arbitrator may not enter any award which alters, amends or modifies the terms or conditions of this Agreement in any form or manner.
7. Judgement upon the award of the arbitrator may be rendered in any court having jurisdiction thereof.



EFFECTIVE: 6/2/03

ADDENDUM 8

FHD STANDARD CONTRACTOR OPERATING AGREEMENT

CONTRACTOR CUSTOMER SERVICE PROGRAM

After the completion of one full FHD accounting period, and beginning with the second accounting period, an FHD P&D Contractor is eligible to begin receiving both an "Individual Performance-related Bonus" and a "Terminal Group Performance-related Bonus". The Contractor is eligible for these bonuses each full period that he operates under this agreement. These bonuses will be referred to as the Contractor Customer Service (CCS) Program.

Payment of these bonuses will be based on the Contractor's individual performance (and/or the performance of Contractor's employed driver), as well as on the Contractor's terminal meeting its CCS Inbound Service Goal.

Individual Safety and Customer Service

The Contractor is eligible for an "Individual Performance-related Bonus" of \$70 per period, as described below.

For each full accounting period, eligibility for the individual CCS Bonus will be determined by the Contractor's performance in the areas of both customer service and safety. To qualify, during each period the Contractor or Contractor's driver must: have no at-fault accidents, have no verified customer complaints, meet the goals set for daily at-home upload compliance and accuracy at the end of each day, and must remain a Contractor and complete the full accounting period.

Examples of customer complaints include, but are not limited to, complaints about the following:

- ◆ Driver release to business
- ◆ Unauthorized indirect deliveries
- ◆ Rudeness, abusive, or objectionable language or behavior
- ◆ Poor appearance or not in FedEx Home Delivery uniform
- ◆ Failure to follow customer instructions
- ◆ Unsafe driving
- ◆ Accidents or property damage

6/2/03

Terminal Inbound Service

The Contractor is eligible for a "Terminal Group Performance-related Bonus", as described below.

If the terminal achieves inbound service:

- ◆ At level one, the period CCS bonus will be \$10 per Contractor.
- ◆ At level two, the period CCS bonus will be \$20 per Contractor.
- ◆ At level three, the period CCS bonus will be \$30 per Contractor.

Eligibility for the Terminal Group CCS Bonus will be based on whether the Contractor's terminal meets its inbound service goal for the period being considered. If it does, all eligible Contractors at that terminal receive the Terminal Group CCS Bonus; if it does not meet its goal, no one receives the Terminal Group CCS Bonus.

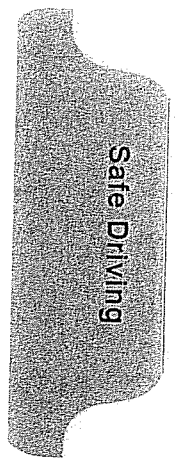
Contractors with multiple vans are eligible for CCS awards for each van beginning after each such additional van has been in service for one full period.

Driver release audit certification

A bonus of \$50 will be paid, each period, to every contractor who doesn't fail a driver release audit or doesn't receive a driver release complaint.

Payment

CCS Bonus monies will be first applied to any outstanding start-up loan balance owed by the Contractor that exceeds \$250.



**FEDEX HOME DELIVERY
SAFE DRIVING PROGRAM**

FedEx Home Delivery (FHD) maintains a program of self-coverage for public liability and property damage risks supplemented by insurance coverages with a commercial insurance carrier.

Under this program, FHD is able to maintain cost-effective management of its exposure arising through road accidents and cargo loss and damage. The success of the program requires that all drivers maintain, without exception, a high standard of care at all times when driving a motor vehicle, whether or not on Company business. For those drivers who do maintain such a high standard -- and they include the overwhelming majority of drivers engaged in driving on FHD business -- this program provides a distinct benefit to them and those they serve. The protection against liability afforded thereunder is essentially cost-free to them.

The criteria for safe driving have been developed by FHD from its own experience and in consultation with its drivers. FHD will disqualify any driver from participation in the FHD Safe Driving Program who does not comply with the requirements and standards set forth below; provided, however, notwithstanding any provision of this Safe Driving Program, Contractor is not relieved of the obligation to conform to all applicable federal, state and local laws in the operation of the Equipment, as provided in paragraph 1.10 (f) of the Agreement, and breach of that obligation remains grounds for termination of the Agreement pursuant to paragraph 9.1 (c) thereof. The result of disqualification would be to require that substitute insurance covering the driver be found if he/she is to continue to render services required for FHD' business.

Driver Eligibility Requirements

The driver eligibility requirements listed below are the minimum requirements for all drivers:

1. No record of conviction for a felony.
2. A minimum age of 21 years.
3. Possession of a valid driver's license for the type of vehicle to be operated, issued by the resident state of the driver.
4. No record of a driver's license suspension or revocation for more than 30 days, during the 36 consecutive months prior to the date of engagement.

The suspension or revocation must be the direct result of the conviction while operating a motor vehicle.

Suspensions for failure to appear (FTA), failure to meet financial responsibility laws, or non-moving convictions (NMVC) are excluded.

5. No record of citation or conviction for the violations listed below during the 36 consecutive months prior to the date of engagement:
 - a. Driving while under the influence of alcohol or drugs;

- b. Refusal to submit to a test of intoxication or impairment requested by a police officer or FHD;
 - c. Operating a motor vehicle which contains alcoholic beverages in open containers contrary to law;
 - d. Being charged with homicide resulting from the unlawful or negligent operation of a motor vehicle;
 - e. Operating a motor vehicle while the driver's license was suspended, cancelled or expired;
 - f. Failing to stop, or remain, at the scene of an accident;
 - g. Driving a motor vehicle in a speed exhibition, contest or drag race;
 - h. Use of a motor vehicle in the commission of a felony;
 - i. Dangerous or careless operation of a motor vehicle, whether causing harm to another person or not;
 - j. Operating a motor vehicle without the permission of the owner; and,
 - k. Fleeing or attempting to flee a police officer.
- 6. No record of involvement in an at-fault traffic accident resulting in a person's death, or bodily injury.
 - 7. No record of involvement in more than two at-fault traffic accidents and two moving violations in any vehicle in the 36 consecutive months prior to the date of engagement.
 - 8. No record of involvement in more than one at-fault traffic accident and three moving violations in any vehicle in the 36 consecutive months prior to the date of engagement.
 - 9. No record of conviction for more than four motor vehicle moving violations in any vehicle in the 36 consecutive months prior to the date of engagement.
 - 10. Completion of a suitable contractor/driver information sheet.
 - 11. A history of safe commercial driving experience and satisfactory work history.
 - 12. Evidence of a valid commercial driver's license.
 - 13. A current and satisfactory motor vehicle record abstract.
 - 14. Successful completion of a thorough physical examination confirming physical fitness to operate a motor vehicle. The physical examination must be completed by a qualified physician approved by FHD.

15. Successfully pass a drug screen administered at such time and place and in such manner as determined by FHD.
16. No record of positive results in any drug or alcohol test.
17. Successful completion of a written examination pertaining to commercial vehicle safety. The examination is to be scored and must show evidence that instruction was given to provide accurate information on incorrect responses.
18. Successful completion of a well-designed road driving skill test which meets the minimum commercial driver's license standards.

FHD Driver Safety Standards

The following acts or omissions by a driver are prohibited:

1. Driving while under the influence of alcohol or drugs.
2. Refusing to submit to a drug or alcohol test requested by a law enforcement officer or FHD.
3. Operating a motor vehicle which contains alcoholic beverages, or a controlled substance contrary to law.
4. Being charged with homicide resulting from the unlawful or negligent operation of a motor vehicle.
5. Operating a motor vehicle while the driver's license has been suspended, cancelled or has expired.
6. Failing to stop, or remain, at the scene of an accident.
7. Driving a motor vehicle in a speed exhibition, contest or drag race.
8. Using a motor vehicle in the commission of a felony.
9. Dangerous or careless operation of a commercial motor vehicle (such as speeding at 80 m.p.h. or more; or more than one incident of speeding at 15 m.p.h. or more, over the posted speed limit), whether causing harm to another person or not.
10. Operating a motor vehicle without the permission of the owner.
11. Fleeing or attempting to flee a police officer.
12. Causing an at-fault traffic accident resulting in a person's death, or bodily injury resulting in medical costs or incurred reserves in excess of \$50,000, or property damage in excess of \$25,000.

13. Causing more than two at-fault accidents in any vehicle in any 12 consecutive months, or more than five at-fault accidents in any vehicle in any 36 consecutive months period. Any accident involving less than \$500 in property damage is exempt from the five accident rule.
14. Committing more than three motor vehicle moving violations in any vehicle, in any 12 consecutive months period.
15. Committing more than five motor vehicle moving violations in any vehicle in any 36 consecutive months period.
16. Negligently or knowingly failing systematically to inspect, repair, maintain and otherwise ensure the leased equipment is at all times in safe operating condition.
17. Carrying passengers not authorized by FHD while on FHD's business.
18. Failure to report an accident as soon as possible.
19. Falsifying any safety-related report or document such as an annual motor vehicle record report.
20. Violation of any applicable hours of service policy(ies), rule(s) or regulation(s).
21. Failure to complete or refusal to undergo a thorough physical examination confirming physical fitness to operate a motor vehicle at least every two years and following any physical or mental impairment from injury or disease. Such physical examination must be completed by a qualified physician approved by FHD.
22. Failure to pass or submit to a drug screen administered at such time and place and in such manner as determined by FHD.
23. Failure to report promptly any incident resulting in property damage and any incident or accident involving any pedestrian or occupant of any type of vehicle, whether or not the incident or accident appears to have resulted in personal injury, regardless of who appears to be at fault.
24. Failure to forward immediately to FHD every demand, notice, summons or other legal process received that involves a claim, suit or other legal process received that involves a claim, suit or other legal proceeding arising from or in any way related to any matter encompassed within the provisions of this Safe Driving Program.
25. Failure to cooperate fully with FHD in the conduct of any legal action, regulatory hearing or other similar process arising from or in any way related to any matter encompassed within the provisions of this Safe Driving Program. Such cooperation includes, without limitation, attendance at hearings, trials, meetings, etc.; the securing of evidence; and, obtaining the attendance of witnesses.

NOTE. With respect to any of the acts or omissions above specified that would constitute an offense of law, and which, if the driver were found guilty would result in disqualification, FHD in its sole discretion based upon reasonable inquiry, may make a preliminary determination of the probability that the driver is guilty of the offense whether charged or not. In such event, FHD may suspend the driver for up to 15 days pending the filing of charges against such driver. If such charges are filed, such suspension shall continue until a final determination by a court, and will become permanent unless the driver is found not guilty of the offense at issue.

Driver Release

FEDEX HOME DELIVERY DRIVER RELEASE PROGRAM

Contractors will not be liable for loss for driver release if:

1. The contractor is approved for the Driver Release Program.
2. Packages are left in an approved driver release area. Certain areas will be designated "Signature Required." Signatures must be obtained for deliveries in such areas.
3. Packages are left out of public sight.
4. Driver release packages are left only at residential dwellings with single family entryways.
5. Packages are left in places that are not susceptible to weather damage. If this is not possible, packages must be securely wrapped in weatherproof bags.
6. Packages are left in places inaccessible to animals.
7. Delivery notices are left at the primary entrance whenever, and wherever, a package is left without the consignee's signature.

Contractors will be liable for loss resulting from driver release if:

1. Signatures are not obtained for packages requiring signature.
2. Packages destined to businesses are driver released. Businesses include churches, schools and businesses operated out of a residence.
3. Packages destined to apartments or residences with public access and/or common entryways are driver released.
4. Packages are released to any address other than the one specified on the address label. These packages are mis-deliveries.

Indirect Deliveries:

Contractors will not be responsible for loss resulting from indirect deliveries if:

1. They use the proper exception code and record the correct address of the location where the packages are indirectly delivered.
2. They get the signature of an adult (someone over 18) living or working at the indirect delivery site.

3. They print the name (first initial and last name) of the person signing for the package in the area provided on the delivery record/manifest.
4. They leave a delivery notice at the primary entryway at the correct consignee's address.

The following represents packages not included in the Driver Release Program.

Packages Requiring Signatures (Noted on the Contractor's Delivery Record/Manifest)

1. Premium Service Packages for which the shipper has requested (and paid for) signature service, evening delivery, appointment delivery and, in certain cases, select day delivery.
2. Packages destined for areas designated as "Signature required."
3. Packages with declared value of over \$500.00.